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CITY SERVICES AUDITOR

ANNUAL WORK PLAN, FISCAL YEAR 2009-2010

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City and County of San Francisco

Office of the Controller – City Services Auditor

CITY SERVICES AUDITOR

ANNUAL WORK PLAN, FISCAL YEAR 2009-2010

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August 2009



City and County of San Francisco

Office of the Controller - City Services Auditor

Annual Work Plan, Fiscal Year 2009-10

August 2009

The mission of the Office of the Controller (Controller's Office) of the City and County of San Francisco is to ensure the City's financial integrity and promote efficient, effective, and accountable government. The Controller's Office's vision is to be a model for good government and to make the City a better place.

The City Services Auditor (CSA) was created within the Controller's Office through a 2003 Charter amendment that envisions a broad effort to measure, audit, and report on San Francisco government's performance. The mandate is to analyze the City's public service delivery, compare and benchmark San Francisco to best practices nationwide, provide information to citizens in new ways and help drive improvements in City government. This is among the most ambitious voter-approved efforts of its kind in local government.

CSA has broad authority for:

- Reporting on the level and effectiveness of San Francisco's public services and benchmarking the City to other public agencies and jurisdictions.
- Conducting financial and performance audits of City departments, contractors, and functions to assess efficiency and effectiveness of processes and services.
- Operating a whistleblower hotline and website and investigating reports of waste, fraud, and abuse of City resources.
- Ensuring the financial integrity and improving the overall performance and efficiency of City government.

CSA is funded through a commitment of 2/10ths of one percent of the City's annual budget. In fiscal year 2007-08, approximately \$12 million was budgeted under the Charter requirement and \$8.5 million was spent, with the balance returned to City funds.

ANNUAL WORK PLAN, FISCAL YEAR 2009-10

Summary

The City Services Auditor (CSA) developed its Annual Work Plan (Work Plan) by considering audits and other responsibilities mandated by the City Charter and municipal codes, the results of a limited risk assessment, and input from City leadership and stakeholders.

- Section I provides background information and identifies CSA's highest priority initiatives for fiscal year 2009-10.
- Section II describes CSA's two main operational units, Audits and City Performance, and the major areas each unit has identified to focus its work.
- Section III details CSA's funding for carrying out its work during the year, as well as its staff resources for each of CSA's operational units.
- Section IV lists the major audits and projects planned for the year, along with their planned budgets.

I. BACKGROUND AND OVERALL FISCAL YEAR 2009-10 PRIORITIES

CSA developed its Work Plan by considering audits and other responsibilities mandated by the City Charter and municipal codes, the results of a limited citywide risk assessment, and input from the Board of Supervisors, the Mayor, and various City department heads and managers. This approach ensures adequate coverage of City processes and programs in high-risk areas and recognizes concerns raised by the City leadership.

The Work Plan may change during the fiscal year as circumstances dictate. Quarterly reassessment of risk, requests from City leadership, changes within City organizations or operations, and available CSA staff resources can result in changes to the plan.

CSA's highest priority initiatives for fiscal year 2009-10 include work to:

1. Assist the Municipal Transportation Agency in implementing citywide changes to routes and services to improve reliability and speed for its bus and light rail systems.
2. Implement recommendations for wide-ranging changes to the organization of the San Francisco Police Department based on the consultative processes the department completed last fiscal year and with the direction of the new Police Chief.
3. Evaluate service delivery and funding of the City's complex \$1.3 billion public health program, focusing on specific programs including substance abuse treatment and the universal health coverage program, *Healthy San Francisco*.
4. Establish audit approaches that mitigate opportunities for contractor overcharges and improve contractor oversight and compliance for the Public Utilities Commission's 10-year, multi-billion dollar capital program and other key City construction programs.
5. Assist the City's critical health and social services sector through a variety of support and efficiency initiatives. CSA's work will support City departments including Public Health, Human Services, and Children, Youth and Their Families; and their web of non-profit service providers who are coping with reduced budgets and increased service needs in the current economic climate.

6. Develop a continuous auditing program that employs technology to help evaluate, monitor, or review an organization's activities on a more frequent or ongoing basis. Continuous auditing programs use automated tools to analyze large data sets to promote the detection and prevention of fraud, inefficiency, errors, and control weaknesses. The program will focus on areas such as payroll, procurement, inventories, and financial transactions.

II. AUDITS AND CITY PERFORMANCE – SCOPES OF WORK

CSA performs its work through two primary operational units, the Audits Unit and the City Performance Unit. These units are supported by an Operations Unit that performs business management and contract administration functions.

AUDITS UNIT

The Audits Unit complies with generally accepted government auditing standards that provide a framework for conducting high quality audits with competence, integrity, objectivity, and independence. The unit provides the following audit services:

- **Performance Audits**

Performance audits measure the extent to which a program is achieving its goals and objectives, the effectiveness of organizations, programs, activities, or functions, and whether an organization has complied with laws and regulations applicable to the program. In addition, performance audits determine the economy and efficiency of an organization's operations, assessing whether the organization is acquiring, protecting, and using its resources economically and efficiently, and the causes of inefficiencies or uneconomical practices. The Audits Unit works with management in developing recommendations that can be used as a basis for building more efficient and effective operations. The general objective of a performance audit is to identify specific areas of operations that can be improved.

- **Financial Audits**

Financial audits assure the City that departments properly account for and report the financial results of their operations. As part of that review, auditors evaluate internal controls over expenditures to assure that expenditures are properly authorized and controlled. The auditors also evaluate internal controls over revenues to assure revenues are maximized and expeditiously managed. These audits provide information about internal control, compliance with laws and regulations, and adherence with contract and grant provisions relating to financial transactions, systems, and processes.

Strategic Focus for Fiscal Year 2009-10

The Audits Unit has identified the following major areas in which it will target a large percentage of its resources. Section IV of this report lists the specific audits it plans to conduct related to these major areas. The unit also plans to conduct additional audits that are not listed in Section IV. While these audits are not of lesser importance, they require fewer hours to conduct, and would be too numerous to list. Finally, the Audits Unit has reserved approximately 10 percent of its audit resources to respond to unforeseen audit needs that may arise during the year.

Fraud Investigations

- Operate a whistleblower complaints hotline and website and investigate reports of waste, fraud, and abuse of City resources.

Continuous Auditing Services

- Develop continuous auditing processes to automate regular testing so auditors can focus on higher risk areas; determine the effectiveness of key controls by analyzing financial transactions continuously and independently; and reduce audit time and effort spent on controls testing.

Information Technology

- Assess the adequacy of internal controls for the City's information technology systems.

Procurement and Lease Compliance

- Ensure that the City's leasing and lease administration activities are cost-effective and are in accordance with contract provisions and City codes.

Construction Audits

- Ensure that procurement and contracting activities are cost-effective and conform to applicable City codes and guidelines.

Citywide Risk Management

- Develop a robust Enterprise Risk Management process to take into account the strategic, regulatory, financial, and business risks to which the City has exposure. This approach will assist the Audits Unit to achieve potential maximum value for work performed.

Audit Process

The audit process typically consists of three phases: planning, field work, and report writing.

During the planning phase, auditors obtain background information by reviewing written procedures, governing laws and regulations, organization charts, and financial information on the program or activity being audited. The auditors collect, summarize, and evaluate this information to identify where to focus its audit efforts and develop an audit program that includes audit objectives and the specific procedures the auditors will carry out to address those objectives.

During the field work phase, auditors identify criteria against which to measure performance and gather and analyze information (audit evidence) to measure and evaluate performance. The results are summarized in the form of audit findings, which include five elements:

- Condition (what is)
- Criteria (what should be)
- Cause (why did it happen)
- Effect (why does it matter)
- Recommendations (how to fix or prevent it from happening)

The final phase is report writing. The audit team prepares a draft audit report and holds an exit conference with management of the audited entity to review the findings, most of which the audit team would have already discussed with management during field work. The unit conducts an internal quality control process to verify that each statement of fact in the report is supported in the audit documentation. The audit team then provides a copy of the draft report to management to give them an opportunity to provide feedback and a written response indicating their concurrence or non-concurrence with the recommendations and an implementation plan. The final audit report includes management's response. Audit reports are public documents.

CITY PERFORMANCE UNIT

The City Performance Unit provides technical assistance and analysis to City departments and decision makers to help improve the effectiveness and efficiency of public services. The unit measures performance and produces information and reports that serve the public's interest in government and in understanding the quality and quantity of public services delivered by the City. Projects focus on the cost, performance, and demand for City services, programs, and facilities, and help ensure that City resources are maximized. The unit's work includes analysis, consultation, recommendations, implementation support and the development of management tools.

City Performance Strategic Focus Areas for Fiscal Year 2009-10

The City Performance Unit has identified the following major service areas for fiscal year 2009-10. Section IV of this report lists the specific projects related to these major areas.

Health and Human Services

- Evaluate the City's substance abuse treatment services to determine how to best meet the needs of clients and improve results.
- Evaluate methods for maintaining hospital capacity and increasing access to quality primary and community-based care

Nonprofit Service Delivery

- Improve nonprofit service outcomes and contract management.
- Provide financial and organizational technical assistance to nonprofit contractors and streamline fiscal and compliance oversight.

Parks, Streets, and Sidewalks

- Build the City's ability to manage and improve parks, streets, and sidewalks using established maintenance standards and objective data on the condition of parks, streets, and sidewalks.

Performance Measurement

- Increase performance-based budgeting, contracting, and service delivery and improve the City's reporting to the public on performance.
- Provide a performance measurement database and advice to City leadership and staff enabling them to better manage resources using measures tracked in the database.

Public Safety

- Assist the San Francisco Police Department (SFPD) and its stakeholders in their efforts to decrease crime and increase community safety. Implement strategic improvements in the SFPD as prescribed by expert studies and consultative processes.

Public Transit

- Provide assistance to the Municipal Transportation Agency (MTA) in their efforts to increase ridership and convenience while lowering costs.
- Provide a multi-year improvement plan and implementation support so that MTA can better deliver its services

City Performance Process

The City Performance Unit provides technical assistance and analysis to City departments and decision makers. Analysis projects address the cost, performance, and demand for City services. The approach to each project is customized to that project's requirements. Projects follow accepted policy analysis methodology, including defining the problem, assembling evidence, constructing alternatives, and analyzing alternatives against established criteria.

Through technical assistance projects, the unit provides consultation, recommendations, implementation support, and the development of management tools. The unit implements technical assistance projects using accepted project management practices. Project phases include project initiation/definition, project planning, execution, monitoring and controlling, and close out and evaluation. City Performance staff receive regular training on project management skills to continuously improve project execution.

III. BUDGET AND ALLOCATION OF RESOURCES

CSA's fiscal year 2009-10 Work Plan includes audits, projects, and performance measurement assistance that address a wide range of concerns consistent with CSA's areas of responsibility. The Work Plan is designed to address the highest priority areas, while aligning the scope of work with staffing and budget resources.

City Services Auditor Budget

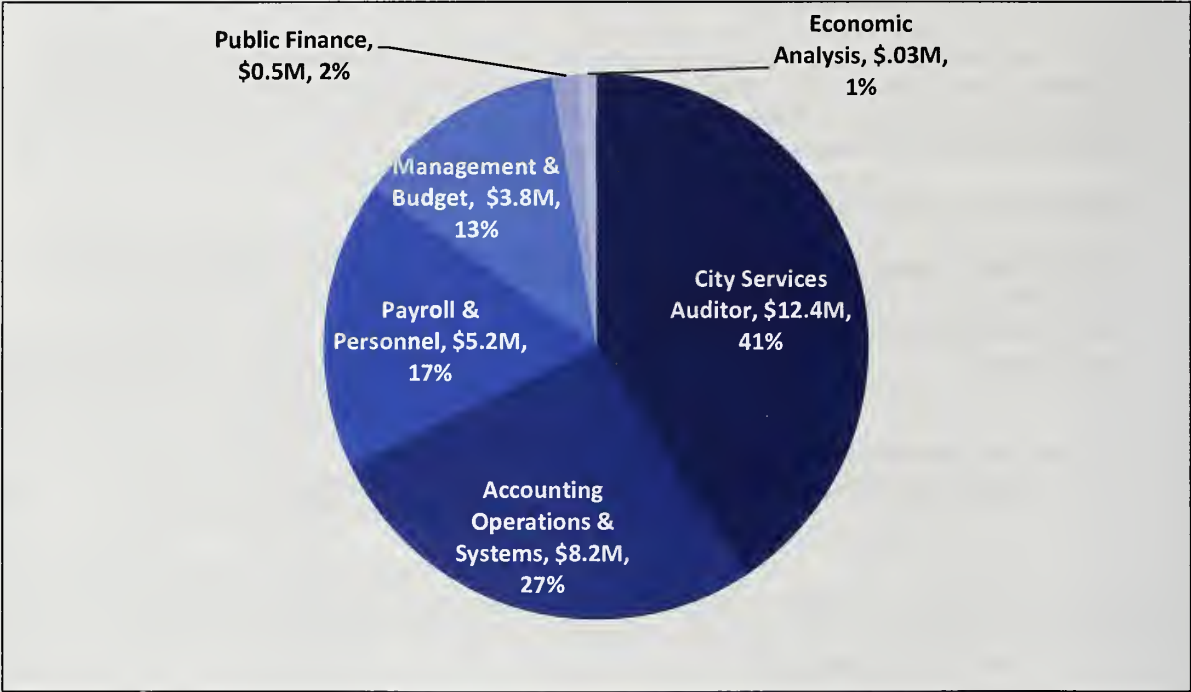
The table below shows the funding for CSA in fiscal year 2009-10 under the 2/10ths of one percent budget allocation mandated in the Charter.

Department	FY09-10 Budget	Percent of Total
Airport	\$817,452	6.59%
Children and Families Commission	47,690	0.38%
Children, Youth and Their and Families	258,064	2.08%
Child Support Services	29,994	0.24%
Building Inspection	79,466	0.64%
Community Health	1,679,915	13.55%
San Francisco General Hospital	798,312	6.44%
Laguna Honda Hospital	405,134	3.27%
Public Works	208,707	1.68%
Human Services	1,296,837	10.46%
Environment	28,481	0.23%
General Fund - Citywide & Departments	3,410,315	27.51%
Public Library	159,319	1.29%
Municipal Transportation Agency	1,307,405	10.55%
Port	157,595	1.27%
Parking and Traffic	211,068	1.70%
Public Utilities Commission	1,008,123	8.13%
Recreation and Parks	407,275	3.29%
Retirement System	37,462	0.30%
Rent Board	10,664	0.09%
Telecommunications & Information	6,343	0.05%
Taxi Commission	5,606	0.05%
War Memorial Commission	24,712	0.20%
Total	\$12,395,938	100.00%

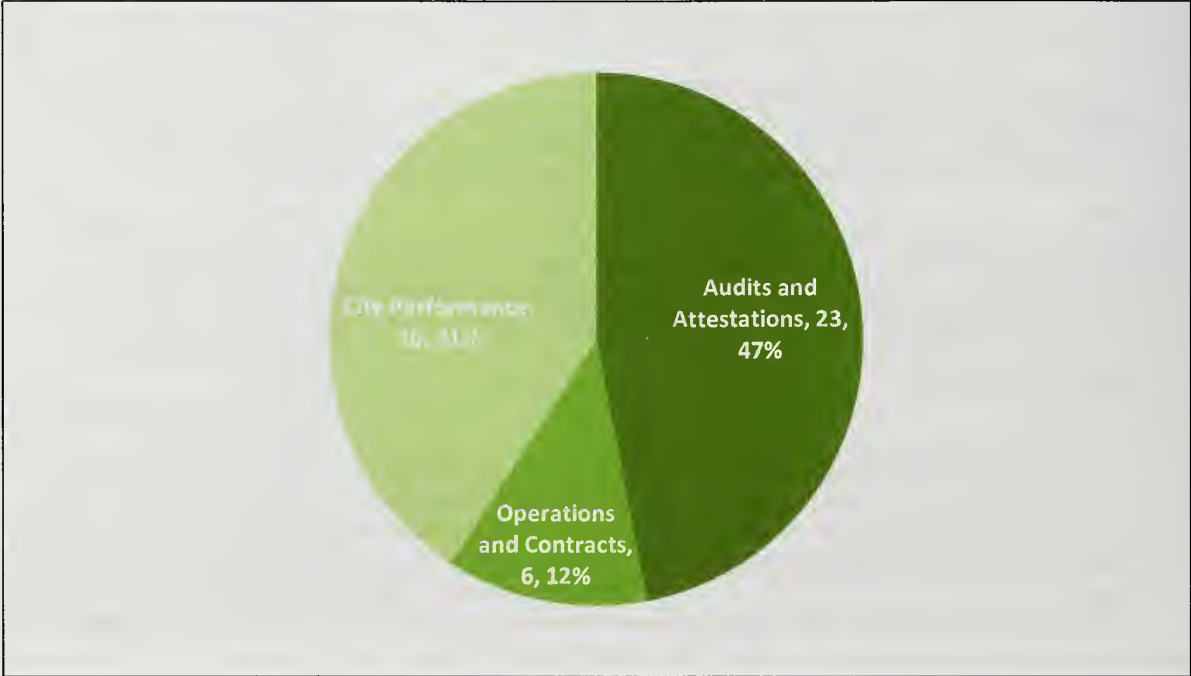
City Services Auditor Resources

The Controller's Office has six divisions and an overall budget of \$30.4 million with the City Services Auditor making up approximately 41 percent of that amount. CSA has approximately 49 full time equivalents including auditors, performance analysts, project managers and operations staff.

CONTROLLER'S OFFICE BUDGET BY DIVISION, FISCAL YEAR 2009-10



CSA FULL-TIME EQUIVALENT EMPLOYEES BY UNIT, FISCAL YEAR 2009-10



IV. MAJOR PLANNED AUDITS AND PROJECTS FOR FISCAL YEAR 2009-10

Listed below are all audits and projects budgeted at \$50,000 or more planned by CSA for fiscal year 2009-10. In addition to the major efforts listed here, CSA has many smaller audits and projects as part of its ongoing programs.

<u>Audit/Project Name</u>	<u>Budget</u>
AIRPORT	
Airline Landing Fee Monitoring, Concession and Lease Management Functions Performance - Audit	\$76,000
Airport Concession & Airline Compliance - Audit(s)	58,000
CHILDREN, YOUTH & THEIR FAMILIES	
Department of Children, Youth and Their Families Grant Expenditures and Grant Process - Audit	50,000
Performance Outcomes for Grant Programs - Project	70,000
Program Officer Time Study and Risk-based Monitoring Analysis- Project	70,000
CITYWIDE AND MULTI-DEPARTMENT	
Audit Consulting - As Needed	63,700
Audit Follow-ups FY 2010	70,000
Better Streets Implementation - Project	99,600
Budget Projects - As Needed	100,000
Coordinated Case Management System Implementation - Project	310,000
Citywide Cash Disbursements - Audit	100,000
Citywide Nonprofit Monitoring and Capacity Building - Project	336,100
Citywide Performance Measurement System - Project	240,000
Comcast Franchise - Audit	52,125
Contracting Reform - Project	200,000
Information Technology - Audit(s)	60,000
Labor Negotiations Support Citywide - Project	50,000
Labor Negotiations Support MOU Review - Project	50,000

<u>Audit/Project Name</u>	<u>Budget</u>
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CITYWIDE AND MULTI-DEPARTMENT (CONTINUED)

Long-term Care Community Alternatives - Fiscal and Gap Analysis - Project	\$50,000
Mayor's Community Based Organizations Task Force Report and Implementation - Project	50,000
Office Depot Billing Review - Audit	60,200
Payroll Audit(s) for FY09-10	60,000
Performance Barometer - Project	50,000
Public Safety Processing: Efficiency and Effectiveness - Project	100,000
Whistleblower - Program	300,000

CONTROLLER

Senate Bill (SB) 90 Claiming Project - Project	72,000
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DEPARTMENT OF PUBLIC HEALTH

Behavioral Health/Primary Care Integration - Project	\$230,000
Department of Public Health Consultative Planning Process - Project	209,000
Federally Qualified Health Centers (FQHC) Reimbursement Rate Analysis - Project	50,000
Laguna Honda Model of Care and Organizational Effectiveness - Project	311,500
Laguna Honda Transition Assistance - Project	197,500
Medicare Reimbursement - Audit	50,000
New Patient Appointment/Triage Line - Project	80,000
Private Provider Network Evaluation/Technical Assistance - Project	50,000
San Francisco General Hospital Information Technology Transition Planning - Project	250,000
San Francisco General Hospital Throughput - Project	250,000
Short Doyle Revenue Enhancement- Project	150,000
Substance Abuse Treatment Services Evaluation - Project	897,000

<u>Audit/Project Name</u>	<u>Budget</u>
DEPARTMENT OF PUBLIC WORKS	
Indirect Cost Allocation Plan - Project	\$60,000
Street and Sidewalk Perception Study- Project	75,000
POLICE	
Organizational Change Implementation and Ingleside Pilot - Project	375,474
HUMAN SERVICES AGENCY	
Analysis of Financial Stability of Care Not Cash - Project	50,000
Cost-Performance Linkage Pilot - Project	50,000
Document Imaging Cost-Benefit Analysis - Project	100,000
Evaluation of Interpreter Contract Services - Project	50,000
Social Security Income (SSI) Advocacy Models Comparison - Project	80,000
Staffing Analysis: Accounting Positions - Project	60,000
MUNICIPAL TRANSPORTATION AGENCY	
Garage Audit - Moscone and Performing Arts - Audits	50,000
Garage Management and Oversight Performance - Audit	50,000
Garage Audit - Pacific Park Management - Audit	65,325
Proposition E - Transportation Quality Review - Project	50,000
Succession Planning for Critical Areas of MTA - Project	50,000
Transit Effectiveness Project Implementation- Project	500,000
PORT	
Port Concessions - Audit(s)	67,000
Lease Administration-Accounting & Accounts Receivable - Audit	50,000

<u>Audit/Project Name</u>	<u>Budget</u>
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PUBLIC UTILITIES COMMISSION

Cost-Performance Linkage Pilot - Project	\$50,000
Selected Non-Percentage Leases - Audit(s)	60,000
Water System Improvement Program (WSIP) Local Construction - Audit(s)	185,000

RECREATION AND PARK DEPARTMENT

Park Bond Programmatic - Audit	60,000
Park Management Plans - Project	50,000
Park Standards Program - Project	150,000

